

LB 1124, LB 270, as amended

Qualified Activity Reported in 2002

A separate application process is not required for this incentive program. The number of credits earned, jobs created, and investment made is reported by the filing a Nebraska Employment and Investment Credit Computation, Form 3800N, with a tax return. In order to earn credits, a company must be in a qualifying business and within the taxable year have an increase of \$75,000 in qualifying investment and two new full-time equivalent employees. For five years after the initial year of qualification, the business may receive additional credits for new employees without any additional investment.

This report includes 1993 through 2001 tax returns processed during 2002. A total of 1,328 separate businesses have filed for benefits under LB 1124 through 2002.

In 2002, the department approved 217 returns from businesses, 152 of which reported new investment made and/or employees hired. These 152 returns reflected the following:

- Net new investment of \$100,975,657
- New full-time jobs of 1,085
- Credits of \$2,938,500, excluding the Enterprise Zone credits

Twenty-nine returns processed in 2002 showed maintenance of past levels of employment and investment. If a taxpayer fails to maintain the levels of investment and employment that created the credit for at least two years after the year for which the credit was first allowed, part of the used and unused credits are subject to recapture. During the subsequent two years, the taxpayer must repay to the state one-third of the amount of the credit subject to recapture for each year that the taxpayer did not maintain the required levels. Thirty-six returns processed in 2002 reported recapture of past credits.

Credits may be carried over and used for the five immediately succeeding taxable years. Any credit carryover remaining at the end of the fifth year expires.